

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SIG-03 AGRE-00 SS-15 SSO-00 NSCE-00  
EB-08 SP-02 AID-05 CIAE-00 INR-10 NSAE-00 L-03  
H-01 INRE-00 /058 W  
-----030841 221221Z /41

O 221158Z JUL 78  
FM AMEMBASSY CAIRO  
TO SECSTATE WASHDC IMMEDIATE 1747  
INFO AMCONSUL ALEXANDRIA

C O N F I D E N T I A L SECTION 01 OF 02 CAIRO 17519

DEPARTMENT PASS OFFICE OF INSPECTOR GENERAL, DEPARTMENT  
OF AGRICULTURE (OIG/USDA)

E.O. 11652: GDS  
TAGS: EAID, EG, US  
SUBJECT: CONGRESSIONAL INQUIRY RE POSSIBLE  
- IRREGULARITIES UNDER PL-480 PROGRAM

REF: STATE 181849

1. BACKGROUND: EMBASSY WAS FIRST MADE AWARE OF THE  
SUBJECT BY TELECON FROM OFFICE OF INSPECTOR GENERAL,  
USDA, AND AGATTACHE ON FRIDAY, JULY 14. AGATTACHE  
INFORMED AMBASSADOR PRIOR TO LATTER'S DEPARTURE TO LEEDS  
CONFERENCE. AMBASSADOR ASKED AGATTACHE DISCRETELY QUERY  
DARWISH, DEPUTY CHAIRMAN, GENERAL AUTHORITY FOR SUPPLY  
COMMODITIES, FOR ANY INFO AND OFFERED, IF AGREEABLE TO  
USDA, TAKE UP MATTER WITH PRIMIN. AMBASSADOR ALSO ASKED  
THAT IIS BE ASKED TO ASSIST IN LOOKING INTO THIS MATTER.  
CONGEN ALEXANDRIA ALSO ASKED AGATTACHE TO SEE WHAT INFO  
THEY COULD DEVELOP LOCALLY ON WHETHER IT IS TRUE THAT  
THE FORMER CHAIRMAN OF MARTRANS, ALI HASHISH, HAD  
RESIGNED AND WHETHER PERALTA, WHICH WAS ALLEGEDLY UNDER  
CONTRACT WITH MARTRANS, HAD BEEN REPLACED BY ANOTHER  
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SHIPPING AGENT (PERHAPS ST. JOHN'S).

2. ON JULY 19, AGATT WAS VISITED BY MR. LOUIS BRUER OF  
MARINE SHIPPING CORPORATION, PORT SAID, TO REPORT ON  
UNLOADING OPERATIONS IN THE PORT. AGATT TOOK ADVANTAGE  
OF BRUER'S VISIT TO ASK WHETHER BRUER HAD HEARD ABOUT  
CHANGES IN MARTRANS AND WHETHER PERALTA HAD BEEN DROPPED

AS SHIPPING AGENT FOR THE GOE IN FAVOR OF ST. JOHN'S INTERNATIONAL. BRUER STATED HE UNDERSTOOD ALI HASHISH HAD RESIGNED AS CHAIRMAN OF MARTRANS AND THAT THERE WERE REPORTS THAT HE IS PRESENTLY UNDER HOUSE ARREST BY MINISTRY OF INTERIOR. BRUER FURTHER UNDERSTOOD THAT HASHISH HAD BEEN REPLACED ON AN ACTING BASIS BY A MR. ZORKANY (UNKNOWN TO MR. BRUER).

3. UPON RECEIPT OF REFTTEL, EMBASSY OFFICERS MET TO CONSIDER WHAT FURTHER STEPS MIGHT NEXT BE TAKEN TO CONFIRM THE BASIC INFORMATION THUS FAR OBTAINED AND ENDEAVOR TO OBTAIN A COPY OF THE CONTRACT BETWEEN MARTRANS AND PERALTA. IT WAS CONCLUDED THAT MORE INFORMATION IS NEEDED FROM WASHINGTON AS TO THE PREMISE UPON WHICH OIG/USDA'S INQUIRY TO THE AGATT WAS BASED SO AS TO AVOID THE APPEARANCE OF A "FISHING EXPEDITION" IN ANY CONTACTS WHICH MIGHT BE MADE WITH THE MINISTRY OF INTERIOR OR ELSEWHERE AND INSURE THAT ANY INQUIRIES WHICH MIGHT BE MADE WERE DIRECTED TO THE BASIC FACTS OF INTEREST TO WASHINGTON. (IN ONE CONVERSATION OF OIG/USDA WITH AGATT, REFERENCE WAS MADE TO EVIDENCE WHICH HAD BEEN TURNED OVER TO THE U.S. DEPARTMENT OF JUSTICE.) IT WOULD BE HELPFUL TO ANY INVESTIGATION TO BE UNDERTAKEN IN EGYPT IF THAT INFORMATION WERE AVAILABLE AS THE PREMISE FOR THE POSING OF QUESTIONS HERE.

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4. MEANWHILE, EMBASSY HAS CHECKED TWICE WITH CONGEN ALEXANDRIA, WHICH EXPECTS TO HAVE SOME INFORMATION OVER THIS WEEKEND FROM LOCAL SOURCES THERE. WHILE AWAITING THIS INFORMATION, AGATT REQUESTED PRIVATE MEETING (JULY 20) WITH MR. IBRAHIM DARWISH, DEPUTY CHAIRMAN, GENERAL AUTHORITY FOR SUPPLY COMMODITIES (PURCHASING ENTITY FOR MINISTRY OF SUPPLY), TO DISCUSS "SENSITIVE MATTER." HOWEVER, UPON ARRIVAL AT DARWISH'S OFFICE, MR. MOHAMED ABDALLAH EL SAADI, LEGAL CONSULTANT TO MINISTER OF SUPPLY, AND MR. ABDEL LATIF AHMED ATTIA, UNDERSECRETARY FOR FINANCE AND ADMINISTRATION, GASC, WERE ALSO PRESENT. AGATTACHE PROCEEDED TO EXPLAIN THAT AMEMBASSY CAIRO HAD RECEIVED SEVERAL REPORTS FROM SOURCES IN BOTH USA AND EGYPT WHICH RAISED POSSIBILITY OF FINANCIAL IRREGULARITIES IN CONNECTION WITH OCEAN TRANSPORTATION OF TITLE I COMMODITIES, AND FURTHER REPORTS THAT (A) MR. ALI HASHISH HAD RESIGNED AS CHAIRMAN OF MARTRANS AND WAS UNDER INVESTIGATION BY SOME PART OF GOE, (B) HASHISH WAS SUCCEEDED AS ACTING CHAIRMAN BY MR. ZORKANY, AND (C) MARTRANS HAD DROPPED PERALTA AS U.S. SHIPPING AGENT AND ENGAGED ST. JOHN'S INTERNATIONAL IN ITS PLACE. GOE OFFICIALS CONFIRMED

THAT HASHISH RESIGNED AROUND JUNE 1, REPORTEDLY TO PURSUE PRIVATE BUSINESS INTERESTS, BUT DENIED ANY KNOWLEDGE ABOUT POSSIBLE INVESTIGATION OF HIM BY GOE, FINANCIAL IRREGULARITIES, OR SWITCH FROM PERALTA TO ST. JOHN'S. THEY CONFIRMED THAT ZORKANY HAD SUCCEEDED HASHISH ON ACTING BASIS, STATED THAT HE WAS FORMERLY A DIRECTOR OF MARTRANS, BUT WAS NOT PERSONALLY KNOWN TO ANY OF THEM. AS REQUESTED BY OIG/USDA, AGATTACHE ASKED GOE OFFICIALS TO OBTAIN COPY OF AGREEMENT BETWEEN PERALTA AND MARTRANS, AND PROPOSAL FROM ST. JOHN'S TO MARTRANS, AS WELL AS

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TO SECSTATE WASHDC IMMEDIATE 1748

INFO AMCONSUL ALEXANDRIA

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ANY INFORMATION AVAILABLE ON OTHER MATTERS DISCUSSED. SAADI PROMISED TO SEE WHAT HE COULD LEARN AND INFORM AGATTACHE ASAP.

5. SUGGEST DEPARTMENT ASSURE SENATOR BELLMON THAT AMBASSADOR IS AWARE OF THE ALLEGATIONS OF POSSIBLE IRREGULARITIES AND WILL MAINTAIN A PERSONAL INTEREST IN THE MATTER AS THE FACTS EMERGE. ALSO ADVISE HIM THAT EMBASSY IS FOLLOWING UP CASE IN ACCORDANCE WITH GUIDELINES LAID DOWN BY USDA.

6. EMBASSY ALSO RECOMMENDS THAT THE DEPARTMENT ASK THE OIG/USDA TO USE CLASSIFIED TELEGRAMS FOR ALL SUBSEQUENT COMMUNICATIONS THIS SUBJECT SINCE TELEPHONES ARE NOT SECURE AND ENDEAVOR TO OBTAIN FROM OIG/USDA SUCH DETAILS AS MAY BE APPROPRIATE REGARDING ANY EVIDENCE WHICH MAY HAVE BEEN TURNED OVER TO THE U.S. DEPARTMENT OF JUSTICE SO THAT OUR INVESTIGATIVE INQUIRIES HERE MAY BE CLOSELY DIRECTED TO THE BASIC ISSUES OF THE MATTER. FYI: WE BELIEVE IT IS ENTIRELY PROPER FOR ANY INVESTIGATIVE

INQUIRIES TO BE ASSIGNED TO THE AID OFFICE OF INSPECTORS  
AND INVESTIGATORS (AID/ISS) IN CAIRO SINCE PL-480 FUNDS  
HAVE IN THE PAST BEEN USED IN PART IN CONNECTION WITH  
CHARGES FOR SHIPPING PL-480 COMMODITIES AND/OR IN THE  
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LARGER CONTEXT OF PL-480 ASSISTANCE. END FYI.

7. WE WILL KEEP THE DEPARTMENT CLOSELY ADVISED AS THE  
FACTS DEVELOP. EILTS

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## Message Attributes

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**Type:** TE  
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**Review Markings:**  
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